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North Said He Mentioned Diversion to Reagan, Secord Says

By Walter Pincus and Dan Morgan
Washington Post Staff Writers

Retired major general Richard V. Secord testified yesterday that former White House aide Oliver L. North Jr. said several times that he had mentioned to President Reagan that it was "very ironic" that "some of the ayatollah's money was being used to support the contras."

"Whether he actually said this to the president, or whether he was joking with me, I'm not sure," Secord said. But Secord added that it was "not said to me in a way that I took it as a joke."

Secord, the principal operator in both the private airlift that resupplied the Nicaraguan contras with military equipment and the U.S.-Iran arms shipments, testified for the second day before a joint session of the House and Senate select committees investigating the Iran-contra affair.

Secord said he had no "direct, first-hand knowledge about what the president knew or didn't know." But he said he thought that the diversion of arms-sales profits was "perfectly legitimate in this enterprise" and that "we would really be applauded in the end."

In one of his few displays of emotion, Secord listed top Reagan administration officials he had spoken to or met with, some of whom told him that the president was aware of what he was doing with the contras and was pleased with the work. In addition to North, he mentioned the late CIA director William J. Casey and former national security advisers Robert C. McFarlane and John M. Poindexter.

Secord also said North received separate condolence phone calls from the president and Vice President Bush after the Marine lieutenant colonel was fired from his job at the National Security Council in late November.

Reagan has repeatedly denied any knowledge of the diversion of funds to aid the contras. White House spokesman Marlin Fitzwater said yesterday that the president stands by his statement and added, "We think we are aware of all [the president's] contacts with Ollie [North]."

Secord said he had shredded some of his records of the contra operation in the first days after public exposure of the secret Iran operations early last November. He said he was afraid they might be stolen.

"I had some telephone logs shredded and some telexes shredded that related to the contra affair. Nothing that related to the Iranian operation," Secord said.

He bitterly attacked Reagan's top aides for not standing up for the program after it was exposed. And he described his dramatic last-minute effort Nov. 25 to persuade Poindexter "not to quit, to stand in there and fight and let's get this thing straightened out."

By then, however, Poindexter had handed in his resignation. When Secord "demanded" to talk to the president, he said he was told it was too late. "They'd already built a wall around the president," Secord said a White House aide told him. Shortly after Secord's brief conversation with Poindexter, Attorney General Edwin Meese III announced at a news conference that the administration had just learned of an unauthorized diversion of funds, which he called an "aberration from the policy." Meese added that the Justice Department was looking into "whether there's any criminal acts involved."

Secord said Meese's remarks "betrayed all of us, and it's unforgivable."

"I was stunned," he said.

Secord said that later in the afternoon he met North at a hotel and observed as the just-fired White House aide received two phone calls, one from Reagan and another from Bush.

"I didn't realize it was the president until I saw him stand up at attention as a good Marine, you know. And, he said, 'Yes, Mr. President. Yes, Mr. President. Thank you very much, Mr. President,' " Secord said.

Secord added that North concluded the phone call by saying, "I'm just sorry it had to end this way. I was trying to serve you the best way I knew how, Mr. President."

Secord, who had desperately been trying to reach the president to "try to bring some rationality back into this matter," told the committees that he tried to get the phone. "Let me have the phone," he said he told North. "But it was too late, he hung up. I wasn't fast enough."

A Bush spokesman confirmed yesterday that the vice president had called North that day and "wished him well" in a brief conversation. Another Bush aide said it was done because North was "down and discouraged."

Many of the facts presented by Secord in response to three hours of querying by House Majority Counsel John W. Nields Jr. called into question statements made last November by top Reagan administration officials, including the president, concerning their role in and knowledge of the Iran-contra affair.

At his news conference last Nov. 25, Meese asserted that the pricing of the U.S. weapons that went to Iran was not handled by Americans and that the funds generated by the sales were transferred "to representatives, as best we know, that can be described as representatives of Israel."

"So far as we know at this stage no American person actually handled any of the funds that went to the forces in Central America," Meese said then.

In an interview with Time magazine last November, Reagan said "another country" was "overcharging . . . apparently putting the money into bank accounts of the leaders of the contras. It wasn't us funneling money to them. This was another country."

But under Nields' questioning, Secord outlined a totally different story, in which Secord and North set the prices and the Iranian funds were put into the Lake Resources account in Switzerland controlled by Secord. Nields also entered into the record Secord's running tabulation of the Swiss account that showed payments directly to munition suppliers and companies involved in the contra airlift that North helped initiate and later directed.

In addition, it showed regular contributions to contra leaders.

Those records showed that in October 1985 Secord made three payments in cash to North: $3,000 on Oct. 5; $5,000 on Oct. 15 and

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$3,000 on Oct. 28. Secord testified Tuesday that North had sought cash to pay for a hostage-release operation involving agents of the Drug Enforcement Agency. The records also showed a $30,000 cash payment on May 15, 1986 to "DEA."

Secord testified that in May 1986—at the time an American delegation was secretly visiting Tehran on an arms-for-hostages mission—North was using DEA agents operating from Cyprus for a different hostage-release effort.

Prior to this testimony, Nields had been leading Secord through a chronological account of his involvement in the arms-for-hostages operation. Under that questioning, Secord contradicted statements from high officials about their activities.

For example, Casey and Poindexter told Congress last November that the Central Intelligence Agency helped facilitate a 1985 Israeli shipment of U.S.-made Hawk missiles to Iran, believing that it was "oil drilling equipment." But Secord said yesterday that he had informed the CIA station chief in Portugal as the shipments were being arranged that the cargo was missiles, and he said that the information was passed back to CIA headquarters.

Secord also testified about the controversy over when the president first authorized the initial sale of Israeli-owned U.S. equipment in August and September 1985. He said McFarlane told him on an airplane returning from London to Washington that the president had authorized the sale in July. Reagan gave varying statements to the Tower commission, stating finally that he could not remember the date.

As initially conceived, Secord said that during a January 1986 meeting in the White House Situation Room, the U.S. arms sales were structured so that, if exposed, the "Israelis would take the hit." By that he meant that if there were publicity, the Reagan administration could plausibly deny any role.

Secord gave another illustration of a White House attempt last November to change what he understood to be the facts surrounding the operation and the president's role in the early shipment. He described being called to the White House to help prepare Casey's testimony to Congress. On the second of two visits, he found that a change had been made about whether the president had acquiesced in the Israeli arms sale.

The second version, unlike the first, "had been changed to indicate that the president had not approved, which was not consistent with my understanding of the facts," Secord said.

He testified that he told North, "There's something wrong here. This is 'expletive deleted.' "

North told him McFarlane had drafted the change, Secord said.

The only real tension in two days of questions-and-answers between Nields and Secord came over who controlled the $8 million left over from the 1986 U.S.-Iran arms sales.

Nields attempted to get Secord to say that the funds, now in Swiss banks, are to be considered as quasi-governmental monies that can be used for U.S. government-authorized activities. Under questioning, Secord said that all the expenditures out of the surplus were ordered by North and were used for projects that the White House aide was directing.

However, Secord insisted that the profits were not government funds and belonged to "the enterprise," and that, hypothetically, he could spend them as he wished.

"So you could have gone off and bought an island in the Mediterranean?" Nields asked.

"Yes, Mr. Nields, but I did not go to Bimini," said Secord, drawing laughter in his reference to the controversy involving Democratic presidential candidate Gary Hart.

The question of who controls the funds is crucial because the Reagan administration at times has insisted that the profits generated by the arms sales to Iran were private and that, therefore, their use in support of the contras did not violate the congressional ban on U.S. military aid.

Another question is whether weapons were priced high by North and Secord in order to generate funds for covert operations, possibly including ones other than the contra-support effort.

Secord credited North with proposing what apparently was the first diversion of arms-sales funds to the contras in December 1985. The previous month, as part of an Israeli shipment of U.S.-made Hawk missiles to Iran, $1 million had been deposited in Secord's Lake Resources account in Switzerland.

Because the operation was shut down prematurely, Secord said, his costs were only about $200,000, leaving $800,000 of Israeli money in the Swiss account.

"I assumed they [the Israelis] would ask for their money back, but they didn't. I discussed this with North and later—I believe late December—he told me they were not going to ask for it back and we could use it for whatever purpose we wanted. We actually expended it on the contra project," Secord testified.

Secord added he thought the idea was North's.

The three major 1986 shipments of U.S. arms to Iran generated a surplus, after expenses, of some $14 million. In each case, Secord said, North was instrumental. In the case of one of the sales—$15 million of Hawk missile spare parts in May—the pricing was worked out by him and North, he said.

"I take it it's fair to say that the price that you eventually decided to charge [Iran] was substantially in excess of the amount paid to the U.S. Treasury," Nields asked.

"Yes."

"Did you and North talk about the reason for the difference?"

"Yes, of course we did," Secord said. "And there were a number of reasons and the contra was one of them . . . . The contra requirement was much on our mind."

Some $3.5 million eventually went to the contras from the 1986 arms sales, Secord testified Tuesday.

One surprising element of Secord's testimony was his assertion that in early 1986 the Iranians never explicitly agreed to arrange the release of all—or any—of the four remaining American hostages held in Lebanon by pro-Iranian extremists.

According to NSC documents and previous testimony by McFarlane, the White House expected that all four hostages would be freed—initially in return for 1,000 TOW missiles to be shipped in February

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1986 and then, at the time of McFarlane's secret trip to Tehran, in May. But Secord said that he had never been told of any Iranian commitment to free the hostages.

George Van Cleve, chief minority counsel, followed Nields with questions aimed at establishing that the officials—other than North—that Secord said Tuesday gave him support were acting within the law.

These officials included the two U.S. ambassadors, various CIA operatives and Casey.

Secord told Van Cleve that he did not know whether former CIA agent and Bay of Pigs veteran Felix Rodriguez discussed contra operations with Bush when he met with him last year. Bush has denied having such a discussion, but on Tuesday Secord testified he believed the two discussed the contra operation.

Secord described himself as a "private person trying to help my government."

However, he testified that he often performed various services for the government that went well beyond purely business.

Secord said that while acting as a "commercial cutout" for the U.S. government in the arms sales to Iran last year, he attended a meeting in Frankfurt at which he and the chief of the CIA's Near East section gave an intelligence briefing to two Iranian military officials. The briefing was based on a U.S. intelligence "sample" of a small section of the Iran-Iraq border, with high-altitude photography and military symbols.

At this meeting, Secord's business partner, Albert A. Hakim, served as the Farsi language translator.

Hakim came disguised in a gray wig and glasses, calling himself "Ibrahim Ibrahim," a man of Turkish descent working for the U.S. government. The ruse was devised to keep Hakim's identity from Iranian arms dealer Manucher Ghorbanifar, who objected that Hakim, who did business in Iran during the reign of the shah, was an "enemy of the state," Secord said.

Ghorbanifar, who attended the Frankfurt meeting, never caught on, Secord said.

Secord said after their meeting in December 1985, McFarlane called Ghorbanifar "the most despicable character" he had ever met.

"I found that kind of an interesting comment, because he was far from the most despicable character I've ever met," Secord said. He added, however, that "the argumentation he was advancing [concerning trading state-of-the-art U.S. weapons for U.S. hostages] was repulsive to all of us."

"In January 1986, Mr. Ghorbanifar had been invited to come to Washington . . . . and he was given a polygraph exam which, as usual, he busted," Secord said.

At one point, after the Iranian businessman gave him a check that bounced when deposited in Secord's account at Credit Suisse Bank, Secord said he became so angry that he said he was going to recommend that Ghorbanifar be "terminated."

"He took it the wrong way and he told Mr. [Amirnam] Nir that I was trying to have him killed. I think it was said later, it's not a bad idea—but it's not what I had in mind," Secord said.

Staff writer David Hoffman and staff researcher Michelle Hall contributed to this report.

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